

PRESS RELEASE

Congressman Gary G. Miller
42nd District, California



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Rep. Miller to Introduce Bill to Require Guidance on Fair Value Accounting Standards

Washington, DC – Congressman Gary Miller plans to introduce a bill that would require the Securities and Exchange Commission (SEC) to address the issues and recommendations identified in their recent report to Congress.

“Over the past year, I’ve repeatedly expressed concern on the effects mark-to-market accounting standards are having on financial institutions,” said Congressman Miller. “In times of tremendous market stress, a lack of liquidity on performing assets complicates pricing under current fair value accounting standards. Market participants, including investors, are forced to arbitrarily price assets based on trading activity, or lack thereof, rather than on actual asset value which perpetuates illiquidity and valuation challenges. The result is that many asset values are understated, despite their performance, while write-downs and liabilities are overstated, resulting in perceived losses on balance sheets.”

To respond to this issue, Congressman Miller secured a provision in the Emergency Economic Stabilization Act of 2008 to require the SEC, in consultation with the Federal Reserve Board and U.S. Department of the Treasury, to conduct a study on the effects of mark-to-market accounting standards on banks and report the findings to Congress within 90 days. In its recently issued report, the SEC recommended improving the application of accounting rules for impaired securities and giving companies more guidance on determining the value of investments in inactive markets.

“I believe fair value accounting standards may have contributed to the general devaluation of mortgage-backed securities,” added Congressman Miller. “To better reflect the true value of assets in both functioning and illiquid markets and to take steps toward overall economic recovery, it is imperative that the SEC provide sufficient guidance on the interpretation of fair value accounting standards.”

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